

Medicaid Eligibility Reform: Reasonable Compatibility & Tax Data

Response to HB1 of the 2018 Second Extraordinary Legislative Session

Louisiana Department of Health

Bureau of Health Services Financing

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Executive Summary

House Bill 1 of the 2018 Second Extraordinary Legislative Session (HB1) reduced the Louisiana Department of Health's (LDH or the Department) State Fiscal Year 2019 budget by \$20.9 million in state general funds to account for reforms in the Medicaid eligibility process that will reduce the reasonable compatibility standard from 25 percent to 10 percent, and begin the utilization of income tax data as a tool in the eligibility determination process.

HB1 further directed the Department to "submit monthly reports to the Joint Legislative Committee on the Budget detailing the progress made in the implementation of the reforms, the reductions in expenditures being generated by these changes to the eligibility process by means of financing, the number of cases undergoing additional review due to the reforms, and the number of individuals being denied eligibility each month either on their initial application or annual redetermination attributable to said process changes."

Reasonable Compatibility Status

The progress made toward changing Louisiana Medicaid's reasonable compatibility standard and the impact on the reporting period from November 13, 2018 to December 31, 2018 is summarized below. Each reporting measure is explained in further detail in subsequent sections.

Progress Made in the Implementation of Reasonable Compatibility Reform

June 1, 2018	Reasonable compatibility standard changed from 25 percent to 10 percent
July 2018	Phased-in statewide implementation of web-based tracking tool for reasonable compatibility to comply with specific reporting in HB1.
November 13, 2018	Implementation of new eligibility and enrollment system, which automates the data collection previously achieved through the web-based tracking tool.

Reductions in Expenditures Generated by Changes to the Eligibility Process by Means of Financing

The estimated net per member per month (PMPM) savings achieved as a result of the reasonable compatibility standard change for the reporting period are:

Estimated Reasonable Compatibility Savings

Means of Finance	Savings This Reporting Period (11/13/18 – 12/31/18)	Savings SFY18 to date
State General Fund	\$1,945	\$179,413
Federal	\$16,449	\$938,984
Total	\$18,394	\$1,118,397

Number of Cases Undergoing Additional Review Due to the Reforms

During the reporting period, **738** cases fell between the new 10 percent and former 25 percent thresholds and underwent additional review due to the reasonable compatibility reforms.¹

Number of Individuals Denied Each Month at Application or Renewal Due to the Reforms

A total of **43** individuals were denied eligibility during the reporting period as a result of the reasonable compatibility change: 26 at initial application and 17 at annual renewal.

Tax Data Status

LDH plans to begin routine use of federal tax data as an external data source for income verification in May 2019. Use of federal tax data on all income-based eligibility decisions requires extensive security protocols be arranged

¹ Due to reporting limitations associated with the transfer from the old to the new eligibility system, data on the total number of applications and renewals processed during the reporting period is not available for inclusion in this month's report.

with the IRS and corresponding eligibility system updates. Assuming a January 2019 start date for the development of these system updates, the following table outlines the implementation activities and associated timelines:

Medicaid Eligibility Federal Tax Data Integration Timeline

Implementation Step	Target Completion Date
Functional System Design	1/18/19
Design Documentation	2/1/19
System Development	3/29/19
Development/Integration Testing	4/12/19
Training	5/10/19
Background Checks	5/10/19
Policy and Procedure Updates	5/10/19
User Acceptance Testing	5/17/19
System Go-Live	5/17/19

Though the Department has not yet begun using data from tax returns for all income-based eligibility decisions, federal tax data is currently used in certain long-term care eligibility decisions.

Louisiana Workforce Commission Data

Prior to the use of federal tax data, LDH will obtain additional wage information from the Louisiana Workforce Commission (LWC) for income verification purposes. If LWC reports income more recent than verified income currently in the individual's file, the LWC data will replace the existing income data and eligibility will be reassessed. If it is determined that the individual is no longer eligible for Medicaid, the individual will be disenrolled after adequate notice to the recipient has been issued pursuant to 42 CFR 435.919 and 431.211.

An interim eligibility check using quarterly LWC income data is currently underway. Ongoing regular quarterly checks will begin in February 2019 with receipt of fourth quarter (October – December) 2018 LWC wage data.

What is Reasonable Compatibility?

The Affordable Care Act (ACA) introduced a new, streamlined approach to determine Medicaid eligibility using electronic data sources (also referred to as systems checks) and minimizing the need for applicants and recipients to provide paper documentation. When verifying income and other eligibility factors, state Medicaid agencies compare the sworn attestations made on application and renewal forms to available electronic data sources. States can only require additional documentation during the application process if the information from the attestation and the information from the data source are not considered reasonably compatible.²

Louisiana verifies self-attestations using data sources such as the Louisiana Workforce Commission, The Work Number/TALX, the federal service data HUB, and the State Online Query System. If the reasonable compatibility income standard is met, no additional verification is necessary.

For example, if an applicant attests to a monthly income of \$1,000, but external data sources indicate a monthly income of \$1,200, in order to comply with federal regulations in 42 CFR 435.952, the applicant would be asked to provide a reasonable explanation for the difference in the two figures since the percent difference is greater than the reasonable compatibility threshold of 10 percent:

A	Income – Self-Attested	\$1,000
B	Income – External Data Source	\$1,200
C	Percent Difference = (B-A)/A	20 percent

Although federal regulations do not provide a definition of “reasonable explanation,” in order to examine the integrity of eligibility decisions, LDH plans to implement new procedures for documenting “reasonable explanation” decisions by the end of January 2019.

Implementation of Reasonable Compatibility Reform

The Department changed its reasonable compatibility threshold from 25 percent to 10 percent on June 1, 2018, before the extensive reporting mandates outlined in HB1 were finally passed. In response to the new reporting requirements, the Department developed a more robust tracking mechanism over and above the initial, more simplified version in order to comply with the Act. Our previous eligibility system lacked the capacity to track the activities and any savings associated with this reform. In order to accomplish these reporting goals, a web-based tracking tool was developed. This tool was piloted in one region of the state prior to an incremental statewide rollout in July. As eligibility field staff began using the tool, quality reviews of the information were conducted and additional training was provided as needed.

Using the previous eligibility system, when eligibility field staff processed applications and renewals, either for (1) an individual aged 18 or older or (2) containing a self-attested income amount, the staff member created a record in the web-based tracking tool. Those cases where the percent difference between self-attested income and income from external sources was between 10 percent and 25 percent were extracted for use in previous months’ reports.

On November 13, 2018, a new Medicaid eligibility and enrollment system was implemented. Because the new eligibility system has the capability to track activities related to reasonable compatibility reform, use of the web-based tracking tool was discontinued.

² “Reasonable Compatibility Policy Presents an Opportunity to Streamline Medicaid Determinations.” *Center on Budget and Policy Priorities*, 16 Aug. 2016, www.cbpp.org/research/reasonable-compatibility-policy-presents-an-opportunity-to-streamline-medicaid.

Reporting Time Period

Due to scheduling logistics and system limitations of Medicaid's previous enrollment and eligibility system, reporting periods for prior publications ended before the end of each calendar month. On November 13, 2018, the new eligibility and enrollment system went live, enabling reporting on a calendar month basis.

Implementation of the new system required associated changes to reasonable compatibility reporting procedures that were not finalized as of the publication of the December 2018 report. Therefore, this report is reflective of applications and renewals reviewed from the system go-live date on November 13, 2018 through December 31, 2018.

Impact of the New Eligibility and Enrollment System

As is the case with any large-scale technological upgrade, LDH planned for a transition period after the new eligibility and enrollment system go-live date. During this transition period, LDH anticipated, and is now experiencing, lower staff productivity levels associated with this period of acclimation to new procedures and navigating new computer screens and prompts.

As part of a multi-faceted strategy to mitigate the temporary productivity losses, Medicaid planned and implemented a temporary deferral of most renewals in order to allow eligibility staff to focus on applications. This suspension was approved by CMS and is a standard practice for states when implementing new systems and programs. Renewals are being reinstated through a phased-in approach, which began the week of January 7, 2019. Medicaid currently projects that pending renewals will be cleared by June 2019.

The impacts of productivity losses and deferred renewals are reflected in the data contained in this report. Because the overall number of applications and renewals processed during the reporting period decreased from pre-go-live levels, the number of cases that underwent additional review due to the reasonable compatibility reform and resulting savings for those found ineligible decreased as well.

Reasonable Compatibility Reform Impact

Number of Cases That Required Additional Review and Number of Individuals Denied Eligibility at Application or Renewal

Table 1 reflects the number of secondary case reviews tracked as a result of the reasonable compatibility reform, grouped by application status as of the end of the reporting period. The cases reported fell within a reasonable compatibility range of 10 percent to 25 percent, which would otherwise not have been reviewed under the previous 25 percent reasonable compatibility threshold.

Table 1: Number of Cases that Required Additional Review and Number of Individuals Denied Eligibility Attributable to Reasonable Compatibility Reform, 11/13/2018 to 12/31/2018

Application/Renewal	# of Cases	% of Cases
Individuals Eligible After Reasonable Compatibility Review		
Application	311	42%
Renewal	0	0%
Subtotal - Eligible	311	42%
Individuals Ineligible After Review		
Individuals Ineligible for Income-Related Reasons		
Application	26	4%
Renewal	17	2%
Subtotal - Ineligible - Income	43	6%
Individuals Ineligible for Non-Income-Related Reasons		
Application	108	15%
Renewal	276	37%
Subtotal - Ineligible - Other	384	52%
Grand Total	738	100%

Additionally, there were 455 cases where an income review was initiated but had not been completed by the end of the reporting period. These applications are not included in the data in Table 1 and will be included in the February 2019 report.

Of the individuals who were deemed ineligible, **only those who were ineligible due to income-related reasons were denied eligibility as a result of the reasonable compatibility reform**. Denial reasons related to income include income over the program limit and failure to provide income verification. Individuals who were deemed ineligible due to non-income-related reasons would have been found ineligible regardless of the reasonable compatibility standard; however, income verification is processed before other eligibility rules. As a result, these individuals were initially determined to fall within the 10 percent to 25 percent threshold and a case worker conducted a manual income review. While the individuals cleared the manual income review, they were later determined ineligible for other reasons. Examples of non-income-related denial reasons include, but are not limited to, age above program limits and duplicate application.

Reductions in Expenditures

Table 2 shows estimated savings achieved through managed care organization (MCO) and dental benefit plan per member per month (PMPM) payments avoided during the reporting period as a result of the reasonable

compatibility reform. This estimate is reflective of the different PMPMs for each group of MCO members described below.

- **Managed Care Organizations**

There are two distinct groups of MCO members:

- Full Benefit: Those who receive all physical, behavioral health and transportation services through their MCO.
- Partial Benefit: Those who receive only specialized behavioral health and non-emergency medical transportation through their MCO.

- **Dental Benefit Plan**

The Medicaid dental benefit plan is administered by MCNA. MCNA receives a PMPM for dental coverage of children required under the Early & Periodic Screening, Diagnostic and Treatment (EPSDT) benefit, and for adult denture services.

Table 2: Estimated MCO and Dental PMPM Savings Generated by Reasonable Compatibility Reform, 11/13/2018 to 12/31/2018

Eligibility Category	# Individuals Denied	State Savings	Federal Savings	Total Savings
Non-Expansion Full Benefit	10	\$843	\$2,496	\$3,340
Non-Expansion Partial Benefit	4	\$59	\$109	\$168
Expansion (Full Benefit)	29	\$1,042	\$13,845	\$14,887
Total	43	\$1,945	\$16,449	\$18,394

Appendix: SFY 19 Reasonable Compatibility Savings Dashboard

	August	September	October	November	December	January		Total
Report Period From	6/1/2018	7/28/2018	8/25/2018	9/22/2018	10/20/2018	11/13/2018	12/1/2018	
Report Period To	7/27/2018	8/24/2018	9/21/2018	10/19/2018	11/12/2018	11/30/2018	12/31/2018	
SAVINGS								
State Funds	\$8,060	\$47,654	\$48,080	\$43,035	\$30,639	\$1,191	\$754	\$179,413
Federal Funds	\$66,362	\$229,821	\$254,674	\$228,095	\$143,583	\$8,418	\$8,031	\$938,984
Total	\$74,422	\$277,475	\$302,754	\$271,130	\$174,222	\$9,609	\$8,785	\$1,118,397
NUMBER OF INDIVIDUALS DENIED/CLOSED FOR INCOME-RELATED REASONS								
Non-Expansion Full Benefit	32	196	162	262	83	6	4	745
Non-Expansion Partial Benefit	36	8	179	61	147	2	2	435
Expansion	119	336	389	348	204	14	15	1,425
Total	187	540	730	671	434	22	21	2,605

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